

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Selma Township	County Wexford
Audit Date 6/30/05	Opinion Date 10/7/05	Date Accountant Report Submitted to State: 11/1/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

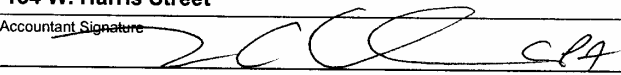
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.			
Street Address 134 W. Harris Street		City Cadillac	State MI
Accountant Signature 		ZIP 49601	Date 10/31/05

SELMA TOWNSHIP, WEXFORD COUNTY

CADILLAC, MICHIGAN

JUNE 30, 2005

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

JUNE 30, 2005

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CADILLAC, MICHIGAN

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CERTIFIED PUBLIC ACCOUNTANTS

October 7, 2005

INDEPENDENT AUDITORS' REPORT

To the Township Board
Selma Township
Wexford County
Cadillac, Michigan

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Selma Township, Wexford County, Cadillac, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Selma Township, Wexford County, Cadillac, Michigan, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages iii through x and budgetary comparison information on page 26 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Selma Township, Wexford County, Cadillac, Michigan's basic financial statements. The combining and individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

SELMA TOWNSHIP, WEXFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005

The management of the Selma Township, Wexford County offers this narrative overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2005, for the benefit of the readers of these financial statements. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the Township's financial activity.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$1,689,865. Of this amount, \$544,187 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$623,584 an increase of \$99,916 in comparison with the prior year. About 71.97% is available for spending at the Township's discretion.
- ◆ The Township is not obligated under any long-term debt as of June 30, 2005.

Overview of the Financial Statements

The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements This report includes government-wide financial statements as required by GASB 34. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type

SELMA TOWNSHIP, WEXFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005

activities). The governmental activities of the Township include general government and administration, public safety, public works, culture and recreation, debt service and other functions. The business-type activities of the Township include Sewer operation.

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources. All of the funds of the Township can be divided into two categories - governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – The Township maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Fund since it is considered to be a major fund of the Township.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

SELMA TOWNSHIP, WEXFORD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2005

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$1,689,865 at June 30, 2005, meaning the Township's assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. A comparison with the previous fiscal year is presented in order to show the change in Net Assets over the previous fiscal year.

Selma Township Net Assets							
	Governmental Activities		Business-Type Activities		Total Primary Government		
	2005	2004	2005	2004	2005	2004	
Current Assets	\$ 623,584	\$ 523,672	\$ 72,914	\$ 70,986	\$ 696,498	\$ 594,658	
Non Current Assets							
Capital Assets	811,476	796,994	1,221,644	1,221,644	2,033,120	2,018,638	
Less: Accumulated Depreciation	428,930	389,654	610,823	586,390	1,039,753	976,044	
Total Non Current Assets	382,546	407,340	610,821	635,254	993,367	1,042,594	
Total Assets	\$ 1,006,130	\$ 931,012	\$ 683,735	\$ 706,240	\$ 1,689,865	\$ 1,637,252	
Liabilities							
Current Liabilities	\$ 0	\$ 4	\$ 0	\$ 0	\$ 0	\$ 4	
Net Assets							
Invested in Capital Assets -							
Net of Related Debt	382,546	407,340	610,821	635,254	993,367	1,042,594	
Restricted for Public Safety							
and Recreation and Culture	152,311	67,819	0	0	152,311	67,819	
Unrestricted	471,273	455,849	72,914	70,986	544,187	526,835	
Total Net Assets	1,006,130	931,008	683,735	706,240	1,689,865	1,637,248	
Total Liabilities							
and Net Assets	\$ 1,006,130	\$ 931,012	\$ 683,735	\$ 706,240	\$ 1,689,865	\$ 1,637,252	

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others). The Township is not responsible for any long-term debt as of June 30, 2005.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

SELMA TOWNSHIP, WEXFORD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2005

The total net assets of the Township increased by \$52,627 or 3.21% in this fiscal year, which is a good indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

Selma Township												
Change in Net Assets												
	Governmental Activities			Business-Type Activities		Total Primary Government						
	2005		2004	2005	2004	2005		2004				
<u>Revenues</u>												
Program Revenues												
Charges for Services	\$	46,193	\$	38,861	\$	84,272	\$	89,634	\$	130,465	\$	128,495
Operating Grants and Contributions		3,846		6,000		0		0		3,846		6,000
General Revenues												
Property Taxes and Assessments		126,980		119,579		0		0		126,980		119,579
State Shared Revenue		127,864		136,925		0		0		127,864		136,925
Unrestricted Investment Earnings		4,391		4,014		493		520		4,884		4,534
Gain on Sale of Capital Assets		0		620		0		0		0		620
Other		617		17		0		0		617		17
Total Revenues	\$	309,891	\$	306,016	\$	84,765	\$	90,154	\$	394,656	\$	396,170
<u>Expenses</u>												
Legislative	\$	9,616	\$	6,202	\$	0	\$	0	\$	9,616	\$	6,202
General Government, Administrative		102,823		102,116		0		0		102,823		102,116
Public Safety		59,783		40,723		0		0		59,783		40,723
Public Works		1,353		1,046		0		0		1,353		1,046
Culture and Recreation		32,534		34,376		0		0		32,534		34,376
Other Functions		27,136		26,302		0		0		27,136		26,302
Debt Service		1,524		28		0		0		1,524		28
Sewer		0		0		107,270		107,123		107,270		107,123
Total Expenses	\$	234,769	\$	210,793	\$	107,270	\$	107,123	\$	342,039	\$	317,916
Change in Net Assets		75,122		95,223		(22,505)		(16,969)		52,617		78,254
<u>NET ASSETS –</u>												
Beginning of Year	\$	931,008	\$	835,785	\$	706,240	\$	723,209	\$	1,637,248	\$	1,558,994
<u>NET ASSETS –</u>												
End of Year	\$	1,006,130	\$	931,008	\$	683,735	\$	706,240	\$	1,689,865	\$	1,637,248

SELMA TOWNSHIP, WEXFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005

Governmental Activities

During the fiscal year ended June 30, 2005, the Township's net assets increased by \$75,122 or 8.07% in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of Selma Township comes from state shared revenue.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax and motor fuel and weight taxes. In 2005, the amount of state shared revenue received by the Township trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Township levied a millage for fire protection, in addition to the operating and road improvement millages, this fiscal year. The Township levied 0.7620 mills for operating purposes, 0.9281 mills for road improvement, and 0.4771 mills for fire protection.

Capital grants represent grant dollars, whether federal, state, or local, that the Township has secured in order to assist in capital asset construction and infrastructure improvement within the Township.

The Township's governmental activities expenses are dominated by general governmental expenses that total 43.80% of total expenses. The Township spent \$102,823 in fiscal year 2005 on general administrative expenses. Public safety represented the next largest expense at \$59,783 followed by recreation and culture at \$32,534. These represent 25.46% and 13.86% respectively. Expenses for salaries, including Township assessor, represent a large portion of the general administrative expenses at \$68,019. Depreciation expense added another \$39,996.

Business-Type Activities

The Township utilizes a Sewer Fund to account for its sewer operations. Revenue is collected from customers within the Township. These charges for services totaled \$84,272 for 2005. The Township pays the Wexford County Department of Public Works for Township sewer services which accounted for \$82,837 of the Sewer Funds expenses or 77.22%. Depreciation expense of \$24,433 accounted for the remaining 22.78%.

Sewer operations experienced a 3.19% decrease in net assets. This is due mainly to the deduction for depreciation expense on the capital assets.

The Sewer Fund is the Township's only Business-Type activity.

SELMA TOWNSHIP, WEXFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005

Financial Analysis of the Government's Funds

Governmental Activities The focus of Selma Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Selma Township's governmental funds reported combined ending fund balances of \$623,584. Approximately 71.97% of this total amount (\$448,822) constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures that relate to fire protection.

General Fund – The General Fund increased its fund balance by \$56,422 which brings the fund balance to \$420,748. Of the General Fund's fund balance, \$396,151 is unreserved while \$22,451 is reserved for prepaid expenditures and \$2,146 is reserved for Telecommunications Right of Way. Property tax revenues increased by 5.94% or \$2,468.

Fire Fund – The Fire Fund increased its fund balance by \$28,615 which brings the fund balance to \$72,757. This balance is reserved and must be used for fire protection.

The Township levied a fire millage on the 2004 tax roll. Tax related revenues totaled \$27,576 a 5.96% increase for the current fiscal year.

Road Improvement Fund – The Road Improvement Fund increased its fund balance by \$53,468 which brings the fund balance to \$77,145. The balance is reserved and must be used for road improvements.

The Township did once again levy a road improvement millage on the 2004 tax roll. Tax related revenues totaled \$53,643 a 6.00% increase, for the current fiscal year. The Township is not obligated under any contracts of the Road Commission as of June 30, 2005.

Lake Improvement Fund – The Lake Improvement Fund had no change in its fund balance. The fund balance is zero.

The township received \$26,625 in special assessment revenue a 10.25% increase for the current fiscal year.

Proprietary Fund The Township's proprietary fund provides the same information as the government-wide statements.

SELMA TOWNSHIP, WEXFORD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2005

Sewer Fund – The Sewer Fund ended the fiscal year with a decrease in net assets of \$22,505. This is due largely to the deduction of depreciation expense on the Fund's capital assets. The unrestricted net assets actually increased by \$1,928 due mainly to the deduction of depreciation expense. Net assets invested in capital assets decreased by the amount of the depreciation deduction or \$24,433. Despite the decrease in net assets, the Fund is still in stable condition. A positive change in cash flows illustrates that actual cash inflows are higher than cash outflows.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental and business-type activities as of June 30, 2005 amounted to \$993,367 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$300 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

Selma Township Capital Assets							
	Governmental Activities		Business-Type Activities		Total Primary Government		
	2005	2004	2005	2004	2005	2004	
Land and Land Improvements	\$ 77,187	\$ 72,318	\$ 0	\$ 0	\$ 77,187	\$ 72,318	
Buildings and Improvements	228,366	228,366	0	0	228,366	228,366	
Improvements other than Buildings	0	0	1,221,644	1,221,644	1,221,644	1,221,644	
Equipment, Furniture, Vehicles	505,923	496,310	0	0	505,923	496,310	
Subtotal	811,476	796,994	1,221,644	1,221,644	2,033,120	2,018,638	
Less Accumulated Depreciation	428,930	389,654	610,823	586,390	1,039,753	976,044	
Net Capital Assets	\$ 382,546	\$ 407,340	\$ 610,821	\$ 635,254	\$ 993,367	\$ 1,042,594	

Major capital asset events during the current fiscal year included the following:

- ◆ A new well constructed for the cemetery cost \$4,869.
- ◆ The purchase of a laptop computer amounted to \$1,109.

Long-Term Debt. Selma Township has no obligation for any long-term debt as of June 30, 2005.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues. State shared revenues are expected to decrease in the 2005-06 fiscal year. The Township has budgeted for a larger decrease as more cuts are expected. The Township's

SELMA TOWNSHIP, WEXFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005

millage rate was reduced again by the Headlee Amendment rollback to 0.7418 mills for general operating purposes.

A road millage and a fire millage were once again levied for the 2005 tax roll. The mills to be levied for the 2005 tax roll for roads and fire protection are 0.9736 and 0.4645 respectively.

These factors were considered in preparing the Township's budgets for the 2005-06 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Selma Township at 4101 S. 35 Road, Cadillac, MI 49601.

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STATEMENT OF NET ASSETS
JUNE 30, 2005

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS
<u>CURRENT ASSETS</u>			
Cash	\$ 576,285	\$ 47,094	\$ 623,379
Receivables			
Accounts	2,257	25,820	28,077
External Parties (Fiduciary Fund)	132	0	132
Due from Other Governments	22,459	0	22,459
Prepaid Expenses	22,451	0	22,451
Total Current Assets	623,584	72,914	696,498
<u>CAPITAL ASSETS</u>			
Land and Land Improvements	77,187	0	77,187
Buildings and Improvements	228,366	0	228,366
Improvements Other Than Buildings	0	1,221,644	1,221,644
Equipment, Furniture and Vehicles	505,923	0	505,923
	811,476	1,221,644	2,033,120
Less Accumulated Depreciation	428,930	610,823	1,039,753
Net Capital Assets	382,546	610,821	993,367
TOTAL ASSETS	1,006,130	683,735	1,689,865
<u>LIABILITIES</u>	0	0	0
<u>NET ASSETS</u>			
Invested in Capital Assets	382,546	610,821	993,367
Restricted for Specific Purposes	152,311	0	152,311
Unrestricted	471,273	72,914	544,187
TOTAL NET ASSETS	\$ 1,006,130	\$ 683,735	\$ 1,689,865

The accompanying notes are an integral part of the financial statements.

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR	OPERATING	CAPITAL	GOVERNMENTAL	BUSINESS-TYPE	TOTALS
		SERVICES	GRANTS AND	GRANTS AND	ACTIVITIES	ACTIVITIES	
			CONTRIBUTIONS	CONTRIBUTIONS			
<u>PRIMARY GOVERNMENT</u>							
<u>GOVERNMENTAL ACTIVITIES</u>							
Legislative	\$ 9,616	\$ 0	\$ 0	\$ 0	\$ (9,616)	\$ 0	\$ (9,616)
General Government, Administrative	102,823	18,743	0	0	(84,080)	0	(84,080)
Public Safety	59,783	825	827	0	(58,131)	0	(58,131)
Public Works	1,353	0	3,019	0	1,666	0	1,666
Culture and Recreation	32,534	26,625	0	0	(5,909)	0	(5,909)
Other Functions	27,136	0	0	0	(27,136)	0	(27,136)
Debt Service	1,524	0	0	0	(1,524)	0	(1,524)
Total Governmental Activities	234,769	46,193	3,846	0	(184,730)	0	(184,730)
<u>BUSINESS-TYPE ACTIVITIES</u>							
Sewer System	107,270	84,272	0	0	0	(22,998)	(22,998)
TOTAL	\$ 342,039	\$ 130,465	\$ 3,846	\$ 0	\$ (184,730)	\$ (22,998)	\$ (207,728)
<u>GENERAL REVENUES</u>							
Taxes					\$ 126,980	\$ 0	\$ 126,980
State Shared Revenue					127,864	0	127,864
Unrestricted Investment Earnings					4,391	493	4,884
Other					617	0	617
Total General Revenues					259,852	493	260,345
Change in Net Assets					75,122	(22,505)	52,617
<u>NET ASSETS</u> - Beginning of Year					931,008	706,240	1,637,248
<u>NET ASSETS</u> - End of Year					\$ 1,006,130	\$ 683,735	\$ 1,689,865

The accompanying notes are an integral part of the financial statements.

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
JUNE 30, 2005

	GENERAL FUND	FIRE FUND	ROAD IMPROVEMENT FUND	LAKE IMPROVEMENT FUND	NONMAJOR FUNDS	TOTALS
<u>ASSETS</u>						
Cash	\$ 367,428	\$ 72,595	\$ 77,894	\$ 0	\$ 58,368	\$ 576,285
Accounts Receivable	2,257	0	0	0	0	2,257
Due from Other Funds	6,315	162	0	0	0	6,477
Due from Other Governments	22,459	0	0	0	0	22,459
Prepaid Expenditures	22,451	0	0	0	0	22,451
TOTAL ASSETS	<u>\$ 420,910</u>	<u>\$ 72,757</u>	<u>\$ 77,894</u>	<u>\$ 0</u>	<u>\$ 58,368</u>	<u>\$ 629,929</u>
<u>LIABILITIES AND FUND BALANCE</u>						
<u>LIABILITIES</u>						
Due to Other Funds	\$ 162	\$ 0	\$ 749	\$ 0	\$ 5,434	\$ 6,345
<u>FUND BALANCE</u>						
Reserved for:						
Prepaid Expenditures	22,451	0	0	0	0	22,451
Telecommunications Right of Way Maintenance	2,146	0	0	0	0	2,146
Fire Protection	0	72,757	0	0	0	72,757
Road Improvements	0	0	77,145	0	0	77,145
Liquor Law Enforcement	0	0	0	0	263	263
Unreserved:						
Designated For:						
Cemetery	0	0	0	0	534	534
Public Improvements	0	0	0	0	52,137	52,137
Undesignated	396,151	0	0	0	0	396,151
Total Fund Balance	<u>420,748</u>	<u>72,757</u>	<u>77,145</u>	<u>0</u>	<u>52,934</u>	<u>623,584</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 420,910</u>	<u>\$ 72,757</u>	<u>\$ 77,894</u>	<u>\$ 0</u>	<u>\$ 58,368</u>	<u>\$ 629,929</u>

The accompanying notes are an integral part of the financial statements.

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Total Fund Balances for Governmental Funds	\$ 623,584
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	40,370	
Land Improvements	36,817	
Buildings and Improvements	228,366	
Equipment, Furniture and Vehicles	505,923	
Accumulated Depreciation	(428,930)	382,546

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,006,130</u>
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The accompanying notes are an integral part of the financial statements.

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2005

	GENERAL FUND	FIRE FUND	ROAD IMPROVEMENT FUND	LAKE IMPROVEMENT FUND	NONMAJOR FUNDS	TOTALS
<u>REVENUES</u>						
Taxes	\$ 45,761	\$ 27,576	\$ 53,643	\$ 0	\$ 0	\$ 126,980
Licenses and Permits	6,916	0	0	0	0	6,916
State Grants	130,883	0	0	0	577	131,460
Charges for Services	10,127	0	0	0	1,025	11,152
Interest and Rents	4,559	589	305	0	438	5,891
Other Revenues	531	450	0	26,625	86	27,692
Total Revenues	198,777	28,615	53,948	26,625	2,126	310,091
<u>EXPENDITURES</u>						
Legislative	9,616	0	0	0	0	9,616
General Government	98,981	0	0	0	5,434	104,415
Public Safety	33,037	0	0	0	560	33,597
Public Works	873	0	480	0	0	1,353
Culture and Recreation	5,909	0	0	26,625	0	32,534
Other Functions	27,136	0	0	0	0	27,136
Debt Service	0	0	0	0	1,524	1,524
Total Expenditures	175,552	0	480	26,625	7,518	210,175
Excess (Deficiency) of Revenues Over Expenditures	23,225	28,615	53,468	0	(5,392)	99,916

The accompanying notes are an integral part of the financial statements.

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2005

	GENERAL FUND	FIRE FUND	ROAD IMPROVEMENT FUND	LAKE IMPROVEMENT FUND	NONMAJOR FUNDS	TOTALS
<u>OTHER FINANCING SOURCES (USES)</u>						
Operating Transfers In	53,197	0	0	0	20,000	73,197
Operating Transfers Out	(20,000)	0	0	0	(53,197)	(73,197)
Total Other Financing Sources (Uses)	33,197	0	0	0	(33,197)	0
Net Change in Fund Balance	56,422	28,615	53,468	0	(38,589)	99,916
<u>FUND BALANCE -</u> Beginning of Year	364,326	44,142	23,677	0	91,523	523,668
<u>FUND BALANCE -</u> End of Year	\$ 420,748	\$ 72,757	\$ 77,145	\$ 0	\$ 52,934	\$ 623,584

The accompanying notes are an integral part of the financial statements.

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2005

Net change in Fund Balance - Total Governmental Funds	\$ 99,916
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(39,996)
Capital Outlay	15,682

In the statement of activities, only the gain or loss on the sale of fixed assets is reported, whereas in the governmental funds, the entire proceeds from the sale increases financial resources. The change in net assets differs from the change in fund balances by the cost of the capital assets sold net of accumulated depreciation.

Governmental Funds - Loss on sale of capital assets	<u>(480)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 75,122</u></u>
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The accompanying notes are an integral part of the financial statements.

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

PROPRIETARY FUND

STATEMENT OF NET ASSETS

JUNE 30, 2005

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 47,094
Accounts Receivable	25,820
	<hr/>
Total Current Assets	72,914
	<hr/>
<u>CAPITAL ASSETS</u>	
Improvements Other Than Buildings	1,221,644
Less Accumulated Depreciation	610,823
	<hr/>
Net Capital Assets	610,821
	<hr/>
TOTAL ASSETS	\$ 683,735
	<hr/> <hr/>
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	\$ 0
	<hr/>
<u>NET ASSETS</u>	
Invested in Capital Assets	610,821
Unrestricted	72,914
	<hr/>
Total Net Assets	683,735
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 683,735
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

JUNE 30, 2005

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>OPERATING REVENUES</u>	
Charges for Services	
Sewer Use Charges and Connection Fees	\$ 84,272
<u>OPERATING EXPENSES</u>	
Contracted Services	82,837
Depreciation	24,433
Total Operating Expenses	107,270
Operating Income (Loss)	(22,998)
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest Income	493
Change in Net Assets	(22,505)
<u>NET ASSETS</u> - Beginning of Year	706,240
<u>NET ASSETS</u> - End of Year	\$ 683,735

The accompanying notes are an integral part of the financial statements.

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

JUNE 30, 2005

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 83,267
Cash Payments to Suppliers for Goods and Services	<u>(82,837)</u>
Net Cash Provided by Operating Activities	<u>430</u>
Cash Flows from Investing Activities:	
Interest Received	<u>493</u>
Net Increase (Decrease) in Cash and Cash Equivalents	923
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>46,171</u>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u><u>\$ 47,094</u></u>
<u>RECONCILIATION OF OPERATING INCOME</u> <u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>	
Operating Income (Loss)	<u>\$ (22,998)</u>
Adjustments to Reconcile Operating Income	
To Net Cash Provided by Operating Activities	
Depreciation	24,433
(Increase) Decrease in Current Assets	
Accounts Receivable	<u>(1,005)</u>
Total Adjustments	<u>23,428</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 430</u></u>

The accompanying notes are an integral part of the financial statements.

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2005

	<u>AGENCY</u>
<u>ASSETS</u>	
Cash	\$ 1
Due from Other Governments	<u>131</u>
 TOTAL ASSETS	 <u><u>\$ 132</u></u>
 <u>LIABILITIES</u>	
Due to Other Funds	\$ 132
 <u>NET ASSETS</u>	 <u>0</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 132</u></u>

The accompanying notes are an integral part of the financial statements.

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Selma Township is a general law township located in Wexford County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Selma Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditure for fire protection.

The *Road Improvement Fund* accounts for revenue sources that are legally restricted to expenditure for road improvements.

The *Lake Improvement Fund* accounts for revenue sources that are legally restricted to expenditures for lake improvements.

Selma Township reports the following major proprietary funds:

The *Sewer Fund* records financial activity of the Township's portion of the Cadillac-Mitchell Sewer Loop Project. The Township participates in the Cadillac-Mitchell Sewer Loop Project with Clam Lake Township and Cherry Grove Township.

Additionally Selma Township reports the following fund types:

The *special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

The *debt service funds* account for the servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The *capital projects funds* account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

The *proprietary funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits, and short-term investments with original maturities of three months or less from date of acquisition.

(I) The Township Board has authorized the Township Treasurer to invest in the following:

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

- (b) Certificates of deposit, savings accounts, deposit accounts, or depository of a financial institution. Authorized depositories shall be designated by the Selma Township Board at the Board's organizational meeting after each regular election of board members.
- (c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- (d) Repurchase agreements consisting of instruments listed in subdivision (a).
- (e) Bankers' acceptances of United States banks.
- (f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
- (g) Mutual funds registered under the Investment Company Act of 1940, Title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by the Township Treasurer. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share. (Recommendation--the above limitation is recommended, however, the Treasurer may also include mutual funds whose net asset value may fluctuate on a periodic basis by so stating in this area).
- (h) Investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- (i) Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.111 to 129.118.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and 50% of Cadillac Area Public School's taxes are levied and due July 1, and become delinquent after September 14. County and the balance of school taxes are levied and due December 1, and become delinquent after February 14. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2004 taxable valuation of the Selma Township totaled \$57,798,449, on which ad valorem taxes levied consisted of 0.7620 mills for the Selma Township operating purposes, 0.9281 mills for the Selma Township road improvements, and 0.4771 mills for Selma Township fire protection. These levies raised approximately \$44,051 for operating purposes and \$53,633 for road improvements, and \$27,568 for fire protection.

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost, after June 30, 2003, of more than \$300 (amount not rounded) and an estimated useful life in excess of one years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building improvements	20
Public domain infrastructure	50
System infrastructure	30
Vehicles	5
Equipment and Furniture	5-10

5. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

8. Comparative data/Reclassifications

Comparative total data for prior years have been presented for all funds in the fund financial statement in order to provide an understanding of the changes in the financial position and operations of these funds.

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on June 26, 2004, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

B. Funds with Expenditures in Excess of Appropriations were as follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
Township Board	\$ 7,000	\$ 9,616
Supervisor	9,350	10,947
Assessor	24,450	29,887
Cemetery	3,000	3,948
Cemetery Fund		
Cemetery	2,000	5,434

These overages were funded by greater than anticipated revenues and available fund balance.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Township's deposits and investments are all on deposit with Citizens Bank.

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2005, \$439,645 of the government's bank balance of \$670,805 was exposed to custodial credit risk because it was uninsured and uncollateralized.

B. Receivables

Receivables as of year end for the government's individual major fund and nonmajor funds in aggregate, are as follows:

	General	Fire	Road Improvement	Lake Improvement	Sewer	Nonmajor And Other Funds	Total
Receivables							
Accounts	\$ 2,257	\$ 0	\$ 0	\$ 0	\$ 25,820	\$ 0	\$ 28,077
Intergovernmental	22,459	0	0	0	0	0	22,459
	<u>\$ 24,716</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 25,820</u>	<u>\$ 0</u>	<u>\$ 50,536</u>

The allowance for doubtful accounts is not considered to be material for disclosure. In addition, any delinquent sewer service receivables can be placed on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

No deferred revenue was recorded in any of the funds at the end of the current fiscal year.

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 40,370	\$ 0	\$ 0	\$ 40,370
Capital assets, being depreciated				
Buildings and Improvements	\$ 228,366	\$ 0	\$ 0	\$ 228,366
Land Improvements	31,948	4,869	0	36,817
Equipment, Furniture and Vehicles	496,310	10,813	1,200	505,923
Infrastructure	0	0	0	0
Total capital assets, being depreciated	\$ 756,624	\$ 15,682	\$ 1,200	771,106
Less accumulated depreciation for:				
Buildings and Improvements	\$ 108,959	\$ 4,713	\$ 0	\$ 113,672
Land Improvements	17,753	1,117	0	18,870
Equipment, Furniture and Vehicles	262,942	34,166	720	296,388
Infrastructure	0	0	0	0
Total accumulated depreciation	\$ 389,654	\$ 39,996	\$ 720	\$ 428,930
Total capital assets, being depreciated, net	\$ 366,970	\$ (24,314)	\$ 480	\$ 342,176
Governmental activities capital assets, net	\$ 407,340	\$ (24,314)	\$ 480	\$ 382,546

Business-Type Activities

Capital assets, being depreciated				
Improvements other than buildings	\$ 1,221,644	\$ 0	\$ 0	\$ 1,221,644
Less accumulated depreciation for:				
Improvements other than buildings	\$ 586,390	\$ 24,433	\$ 0	\$ 610,823
Business-type activities capital assets, net	\$ 635,254	\$ (24,433)	\$ 0	\$ 610,821

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 10,381
Public Safety	<u>28,895</u>
Total depreciation expense - governmental activities	<u>\$ 39,276</u>
Business-type activities:	
Sewer	<u>\$ 24,433</u>

Construction Commitments:

The Township has active construction projects with the Wexford County Road Commission as of June 30, 2005. The construction projects are for street construction. The total contract balances are expected to total at least \$237,150. The projects are being financed through the Wexford County Road Commission. Ultimately the projects will be funded with tax and special assessment revenues.

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at June 30, 2005, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 6,315	\$ 162
Special Revenue Funds		
Fire	162	0
Road Improvement	0	749
Cemetery Fund	0	5,434
Fiduciary Funds		
Current Tax Collection	<u>0</u>	<u>132</u>
	<u>\$ 6,477</u>	<u>\$ 6,477</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Interfund Transfers as of June 30, 2005, were:

	TRANSFERS	
	IN	OUT
<u>Primary Government</u>		
General Fund	\$ 53,197	\$ 20,000
Special Revenue Funds		
Improvement Revolving Fund	20,000	0
Debt Service Fund		
Sewer Project Fund	0	53,197
	<u>\$ 73,197</u>	<u>\$ 73,197</u>

Transfers are used (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

E. Long-Term Debt

At June 30, 2005, the Township was not obligated for any long-term debt.

F. Fund Balance Reserves and Designations

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances/retained earnings in various funds. In addition, certain portions of unreserved fund balances/retained earnings have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved

General Fund

Prepaid Expenditures	\$ 22,451	
Telecommunications Right of Way Maintenance	<u>2,146</u>	\$ 24,597

Special Revenue Funds

Fire Fund

Fire Protection	\$ 72,757	
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Liquor Law Enforcement Fund

Liquor Law Enforcement	263	
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SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Road Improvement Fund		
Road Improvements	<u>77,145</u>	150,165
Unreserved-Designated		
Special Revenue Funds		
Cemetery Fund		
Cemetery	\$ 534	
Improvement Revolving Fund		
Public Improvements	<u>52,137</u>	<u>52,671</u>
TOTAL FUND BALANCE		
RESERVATIONS AND DESIGNATIONS		\$ <u>227,433</u>

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

B. Sewer Fund

The Township is participating with Clam Lake and Cherry Grove Townships in the Lakes Cadillac-Mitchell Sewer Loop Project. This project was being financed through state and federal grants and the sale of special assessment bonds. The total estimated cost of the project is \$2,605,674. Selma Township's share of this project is 46.884% (\$1,221,644). This amount has been capitalized as an asset in the Sewer Fund. The Township has contracted with the Wexford County Department of Public Works to operate and maintain the system.

C. Lake Improvement Fund

The Township has joined with Cherry Grove Township and the City of Cadillac to establish a Lake Improvement Board for the purpose of improving Lake Mitchell. A special assessment district was

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

established with each municipality collecting the assessment from its property owners within the district. Selma Township and the City of Cadillac send the collected assessments to Cherry Grove Township who has been designated by the Lake Improvement Board to maintain the records for the Lake Improvements.

D. Comparative Data/Reclassifications

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the government's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2005

	GENERAL FUND				FIRE FUND				ROAD IMPROVEMENT FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>												
Taxes	\$ 40,008	\$ 40,008	\$ 45,761	\$ 5,753	\$ 25,000	\$ 25,000	\$ 27,576	\$ 2,576	\$ 47,000	\$ 47,000	\$ 53,643	\$ 6,643
Licenses and Permits	3,250	3,250	6,916	3,666	0	0	0	0	0	0	0	0
State Grants	120,700	120,700	130,883	10,183	0	0	0	0	0	0	0	0
Charges for Services	5,340	5,340	10,127	4,787	0	0	0	0	0	0	0	0
Interest and Rents	3,250	3,250	4,559	1,309	150	150	589	439	50	50	305	255
Other Revenues	100	100	531	431	0	0	450	450	0	0	0	0
Total Revenues	172,648	172,648	198,777	26,129	25,150	25,150	28,615	3,465	47,050	47,050	53,948	6,898
<u>EXPENDITURES</u>												
Legislative	7,000	7,000	9,616	(2,616)	0	0	0	0	0	0	0	0
General Government	97,608	97,608	98,981	(1,373)	0	0	0	0	0	0	0	0
Public Safety	34,250	34,250	33,037	1,213	20,000	20,000	0	20,000	0	0	0	0
Public Works	1,100	1,100	873	227	0	0	0	0	42,910	42,910	480	42,430
Culture and Recreation	9,250	9,250	5,909	3,341	0	0	0	0	0	0	0	0
Other Functions	32,000	32,000	27,136	4,864	0	0	0	0	0	0	0	0
Contingency	10,000	10,000	0	10,000	0	0	0	0	0	0	0	0
Total Expenditures	191,208	191,208	175,552	15,656	20,000	20,000	0	20,000	42,910	42,910	480	42,430
Excess (Deficiency) of Revenues Over Expenditures	(18,560)	(18,560)	23,225	41,785	5,150	5,150	28,615	23,465	4,140	4,140	53,468	49,328
<u>OTHER FINANCING SOURCES (USES)</u>												
Transfers In	0	0	53,197	53,197	5,000	5,000	0	(5,000)	0	0	0	0
Transfers Out	(10,000)	(10,000)	(20,000)	(10,000)	0	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	(10,000)	(10,000)	33,197	43,197	5,000	5,000	0	(5,000)	0	0	0	0
Net Change in Fund Balance	(28,560)	(28,560)	56,422	84,982	10,150	10,150	28,615	18,465	4,140	4,140	53,468	49,328
<u>FUND BALANCE</u> - Beginning of Year	63,280	63,280	364,326	301,046	55,355	55,355	44,142	(11,213)	66,879	66,879	23,677	(43,202)
<u>FUND BALANCE</u> - End of Year	\$ 34,720	\$ 34,720	\$ 420,748	\$ 386,028	\$ 65,505	\$ 65,505	\$ 72,757	\$ 7,252	\$ 71,019	\$ 71,019	\$ 77,145	\$ 6,126

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GENERAL FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash		
Money Market Account	\$ 367,428	\$ 318,934
Accounts Receivable	2,257	0
Due from Other Funds	6,315	1,182
Due from Other Governments	22,459	22,075
Prepaid Expenditures	22,451	22,434
TOTAL ASSETS	<u>\$ 420,910</u>	<u>\$ 364,625</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to Other Funds	<u>\$ 162</u>	<u>\$ 299</u>
<u>FUND BALANCE</u>		
Balance		
Reserved for:		
Prepaid Expenditures	22,451	22,434
Telecommunications Right of Way Maintenance	2,146	0
Unreserved	396,151	341,892
Total Fund Balance	<u>420,748</u>	<u>364,326</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 420,910</u>	<u>\$ 364,625</u>

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2005
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2004

	<u>2005 BUDGET</u>		<u>2005</u>	<u>2004</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>				
Taxes	\$ 40,008	\$ 40,008	\$ 45,761	\$ 42,178
Licenses and Permits	3,250	3,250	6,916	4,753
State Grants	120,700	120,700	130,883	136,925
Charges for Services	5,340	5,340	10,127	8,135
Interest and Rents	3,250	3,250	4,559	4,214
Other Revenues	100	100	531	17
Total Revenues	172,648	172,648	198,777	196,222
<u>EXPENDITURES</u>				
Legislative				
Township Board	7,000	7,000	9,616	6,202
General Government				
Supervisor	9,350	9,350	10,947	9,952
Election	3,880	3,880	2,619	1,570
Assessor	24,450	24,450	29,887	22,059
Legal Fees	1,500	1,500	0	0
Clerk	17,650	17,650	17,477	16,799
Board of Review	1,300	1,300	997	1,735
Treasurer	23,113	23,113	22,422	22,326
Building and Grounds	13,365	13,365	10,684	14,695
Cemetery	3,000	3,000	3,948	3,029
Public Safety	34,250	34,250	33,037	34,287
Public Works	1,100	1,100	873	866
Culture and Recreation	9,250	9,250	5,909	10,226
Other Functions	32,000	32,000	27,136	26,302
Contingency	10,000	10,000	0	0
Total Expenditures	191,208	191,208	175,552	170,048

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2005
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2004

	<u>2005 BUDGET</u>		<u>2005</u>	<u>2004</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Excess of Revenues				
Over (Under) Expenditures	(18,560)	(18,560)	23,225	26,174
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In (Out)				
Sewer Project Fund	0	0	53,197	0
Paul Bunyon Drive Road Improvement Fund	0	0	0	438
Improvement Revolving Fund	(10,000)	(10,000)	(20,000)	(10,000)
Fire Fund	0	0	0	(5,000)
Hiawatha Beach Road Improvement Fund	0	0	0	(1,080)
Total Other Financing Sources (Uses)	(10,000)	(10,000)	33,197	(15,642)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(28,560)	(28,560)	56,422	10,532
<u>FUND BALANCE</u> - Beginning of Year	63,280	63,280	364,326	353,794
<u>FUND BALANCE</u> - End of Year	<u>\$ 34,720</u>	<u>\$ 34,720</u>	<u>\$ 420,748</u>	<u>\$ 364,326</u>

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GENERAL FUND

ANALYSIS OF REVENUES
FOR THE YEAR ENDED JUNE 30, 2005

TAXES

Property Taxes	\$ 44,023	
Industrial Facilities Tax	161	
Swamp Tax	8	
Penalty and Interest on Taxes	1,569	
Total Taxes		45,761

LICENSES AND PERMITS

Nonbusiness Licenses and Permits		6,916
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STATE GRANTS

Telecommunications Right of Way Maintenance	3,019	
Sales and Use Tax	127,864	
Total State Grants		130,883

CHARGES FOR SERVICES

Summer Tax Collection	6,321	
Burial Fees	2,975	
Land Splits	825	
Dog License Fees	6	
Total Charges for Services		10,127

INTEREST AND RENTS

Interest Earnings	3,059	
Hall and Sign Rental	1,500	
Total Interest and Rents		4,559

OTHER REVENUES

Miscellaneous		531
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TOTAL REVENUES		198,777
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OTHER FINANCING SOURCES

Transfers In		
Sewer Project Fund		53,197

TOTAL REVENUES AND OTHER FINANCING SOURCES		\$ 251,974
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SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

LEGISLATIVE

Township Board		
Personal Services		
Salaries and Wages	\$	1,620
Supplies		
Office Supplies		69
Other Services and Charges		
Professional Services		4,990
Dues		1,137
Capital Outlay		1,800
		<hr/>
Total Legislative		9,616

GENERAL GOVERNMENT

Supervisor		
Personal Services		
Salaries and Wages	8,000	
Salaries and Wages - Deputy	375	
Supplies		
Office Supplies	2,358	
Other Services and Charges		
Transportation and Expense	164	
Dues	50	
	<hr/>	
Total Supervisor		10,947
Elections		
Personal Services		
Salaries and Wages	1,697	
Supplies		
Operating Supplies	676	
Other Services and Charges		
Contracted Services	51	
Printing and Publishing	24	
Transportation and Expense	171	
	<hr/>	
Total Elections		2,619
Assessor		
Personal Services		
Salaries and Wages	24,867	

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

Other Services and Charges		
Contracted Services	825	
Capital Outlay	4,195	
Total Assessor		29,887
Clerk		
Personal Services		
Salaries and Wages	15,000	
Supplies		
Office Supplies	350	
Other Services and Charges		
Contracted Services	1,913	
Transportation and Expense	164	
Dues	50	
Total Clerk		17,477
Board of Review		
Personal Services		
Salaries and Wages	420	
Supplies		
Office Supplies	170	
Other Services and Charges		
Transportation and Expense	348	
Printing and Publishing	59	
Total Board of Review		997
Treasurer		
Personal Services		
Salaries and Wages	15,050	
Salaries and Wages - Deputy	1,023	
Supplies		
Office Supplies	2,779	
Other Services and Charges		
Contracted Services	2,138	
Transportation and Expense	288	
Refunds	7	
Miscellaneous	28	
Capital Outlay	1,109	
Total Treasurer		22,422

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

Building and Grounds			
Personal Services			
Salaries and Wages	792		
Supplies			
Operating Supplies	506		
Other Services and Charges			
Contracted Services	1,459		
Printing and Publishing	882		
Repairs and Maintenance	2,906		
Public Utilities	3,526		
Rental Refunds	350		
Capital Outlay	263		
Total Building and Grounds		10,684	
Cemetery			
Personal Services			
Salaries and Wages	795		
Supplies			
Operating Supplies	211		
Other Services and Charges			
Contracted Services	2,725		
Public Utilities	109		
Repairs and Maintenance	108		
Total Cemetery		3,948	
Total General Government			98,981

PUBLIC SAFETY

Fire Department		
Personal Services		
Salaries and Wages	5,569	
Supplies		
Operating Supplies	1,812	
Other Services and Charges		
Contracted Services	2,200	
Repair and Maintenance	1,634	
Public Utilities	4,066	
Clothing and Transportation Reimbursement	8,530	

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

Travel and Education	171	
Insurance	1,130	
Capital Outlay	7,925	
Total Public Safety		33,037

PUBLIC WORKS

Street Lighting		
Other Services and Charges		
Public Utilities		873

CULTURE AND RECREATION

Recreation and Parks		
Personal Services		
Salaries and Wages	668	
Supplies		
Office Supplies	407	
Operating Supplies	154	
Other Services and Charges		
Printing and Publishing	101	
Contracted Services	320	
Repairs and Maintenance	108	
Travel and Education		
Clean-up Day	3,888	
Capital Outlay	263	
Total Culture and Recreation		5,909

OTHER FUNCTIONS

Insurance and Bonds	18,759	
Employee Benefits		
Medicare and Social Security	5,670	
Worker's Compensation	2,707	
Total Employee Benefits	8,377	
Total Other Functions		27,136
TOTAL EXPENDITURES		175,552

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

OTHER FINANCING USES

Transfers Out

Township Improvement Revolving Fund

20,000

TOTAL EXPENDITURES AND OTHER
FINANCING USES

\$ 195,552

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

FIRE FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash		
Money Market Account	\$ 72,595	\$ 37,980
Due from Other Funds	162	162
Due from Other Governments	0	6,000
TOTAL ASSETS	<u>\$ 72,757</u>	<u>\$ 44,142</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Reserved for Fire Protection	<u>72,757</u>	<u>44,142</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 72,757</u>	<u>\$ 44,142</u>

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2004

	<u>2005 BUDGET</u>		<u>2005</u>	<u>2004</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>				
Taxes				
Property Taxes	\$ 25,000	\$ 25,000	\$ 27,576	\$ 26,286
State Sources				
DNR Grant	0	0	0	6,000
Interest and Rents				
Interest Earnings	150	150	589	176
Other Revenues				
Donations	0	0	250	0
Sale of Fixed Assets	0	0	200	620
Total Revenues	<u>25,150</u>	<u>25,150</u>	<u>28,615</u>	<u>33,082</u>
<u>EXPENDITURES</u>				
Public Safety				
Capital Outlay	<u>20,000</u>	<u>20,000</u>	<u>0</u>	<u>17,460</u>
Excess of Revenues				
Over (Under) Expenditures	5,150	5,150	28,615	15,622
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In				
General Fund	<u>5,000</u>	<u>5,000</u>	<u>0</u>	<u>5,000</u>
Excess of Revenues and Other Sources Over				
(Under) Expenditures and Other Uses	10,150	10,150	28,615	20,622
<u>FUND BALANCE</u> - Beginning of Year	<u>55,355</u>	<u>55,355</u>	<u>44,142</u>	<u>23,520</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 65,505</u>	<u>\$ 65,505</u>	<u>\$ 72,757</u>	<u>\$ 44,142</u>

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

ROAD IMPROVEMENT FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash		
Money Market Account	\$ 77,894	\$ 24,726
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to Other Funds	\$ 749	\$ 1,049
<u>FUND BALANCE</u>		
Reserved for Road Improvements	<u>77,145</u>	<u>23,677</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 77,894</u>	<u>\$ 24,726</u>

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

ROAD IMPROVEMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDING JUNE 30, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2004

	<u>2005 BUDGET</u>		<u>2005</u>	<u>2004</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>				
Taxes				
Property Taxes	\$ 47,000	\$ 47,000	\$ 53,643	\$ 51,115
Interest				
Interest Earnings	50	50	305	173
Total Revenues	<u>\$ 47,050</u>	<u>\$ 47,050</u>	<u>\$ 53,948</u>	<u>\$ 51,288</u>
<u>EXPENDITURES</u>				
Public Works				
Highways, Streets and Bridges				
Personal Services				
Salaries and Wages	\$ 400	\$ 400	\$ 480	\$ 120
Supplies				
Operating Supplies	50	50	0	60
Other Services and Charges				
Contracted Services	100	100	0	0
Repairs and Maintenance	42,360	42,360	0	42,360
Total Expenditures	<u>\$ 42,910</u>	<u>\$ 42,910</u>	<u>\$ 480</u>	<u>\$ 42,540</u>
Excess of Revenues				
Over (Under) Expenditures	\$ 4,140	\$ 4,140	\$ 53,468	\$ 8,748
<u>FUND BALANCE</u> - Beginning of Year	<u>66,879</u>	<u>66,879</u>	<u>23,677</u>	<u>14,929</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 71,019</u>	<u>\$ 71,019</u>	<u>\$ 77,145</u>	<u>\$ 23,677</u>

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

LAKE IMPROVEMENT FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Special Assessment Receivable	\$ 0	\$ 0
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Unreserved	0	0
TOTAL LIABILITIES AND FUND BALANCE	\$ 0	\$ 0

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

LAKE IMPROVEMENT FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30,

	<u>2005</u>	<u>2004</u>
<u>REVENUES</u>		
Other Revenues		
Special Assessments	\$ 26,625	\$ 24,150
<u>EXPENDITURES</u>		
Recreation and Cultural		
Lake Improvement		
Aid to Other Governments	<u>26,625</u>	<u>24,150</u>
Excess of Revenues Over (Under) Expenditures	0	0
<u>FUND BALANCE</u> - Beginning of Year	<u>0</u>	<u>0</u>
<u>FUND BALANCE</u> - End of Year	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

SEWER FUND

COMPARATIVE STATEMENT OF NET ASSETS
JUNE 30,

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash		
Money Market Account	\$ 37,094	\$ 36,171
Certificate of Deposit	10,000	10,000
Accounts Receivable	25,820	24,815
	<hr/>	<hr/>
Total Current Assets	72,914	70,986
	<hr/>	<hr/>
<u>CAPITAL ASSETS</u>		
Investment in Sewer System	1,221,644	1,221,644
Less Accumulated Depreciation	610,823	586,390
	<hr/>	<hr/>
Net Capital Assets	610,821	635,254
	<hr/>	<hr/>
TOTAL ASSETS	\$ 683,735	\$ 706,240
	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
	<hr/>	<hr/>
<u>NET ASSETS</u>		
Invested in Capital Assets	610,821	635,254
Unrestricted	72,914	70,986
	<hr/>	<hr/>
Total Net Assets	683,735	706,240
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 683,735	\$ 706,240
	<hr/> <hr/>	<hr/> <hr/>

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

SEWER FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30,

	<u>2005</u>	<u>2004</u>
<u>OPERATING REVENUES</u>		
Charges for Services		
Sewer Use Charges and Connection Fees	\$ 84,272	\$ 89,634
<u>OPERATING EXPENSES</u>		
Contracted Services		
Operation and Maintenance		
Wexford County Department of Public Works	82,837	82,690
Depreciation	24,433	24,433
Total Operating Expenses	<u>107,270</u>	<u>107,123</u>
Operating Income (Loss)	(22,998)	(17,489)
<u>NONOPERATING REVENUES</u>		
Interest Income	<u>493</u>	<u>520</u>
Change in Net Assets	(22,505)	(16,969)
<u>NET ASSETS</u> - Beginning of Year	<u>706,240</u>	<u>723,209</u>
<u>NET ASSETS</u> - End of Year	<u><u>\$ 683,735</u></u>	<u><u>\$ 706,240</u></u>

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

SEWER FUND

COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30,

	<u>2005</u>	<u>2004</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 83,267	\$ 85,397
Cash Payments to Suppliers for Goods and Services	<u>(82,837)</u>	<u>(82,690)</u>
Net Cash Provided by Operating Activities	<u>430</u>	<u>2,707</u>
Cash Flows from Investing Activities		
Interest Received	<u>493</u>	<u>520</u>
Net Increase (Decrease) in Cash and Cash Equivalents	923	3,227
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>46,171</u>	<u>42,944</u>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u><u>\$ 47,094</u></u>	<u><u>\$ 46,171</u></u>
<u>RECONCILIATION OF OPERATING INCOME</u> <u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Operating Income (Loss)	<u>\$ (22,998)</u>	<u>\$ (17,489)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	24,433	24,433
(Increase) Decrease in Current Assets		
Accounts Receivable	<u>(1,005)</u>	<u>(4,237)</u>
Total Adjustments	<u>23,428</u>	<u>20,196</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u><u>\$ 430</u></u>	<u><u>\$ 2,707</u></u>

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE

COMBINING BALANCE SHEET

JUNE 30, 2005

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	TOTALS
<u>ASSETS</u>			
Cash	\$ 58,368	\$ 0	\$ 58,368
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Due to Other Funds	\$ 5,434	\$ 0	\$ 5,434
<u>FUND BALANCE</u>			
Reserved	263	0	263
Unreserved			
Designated	52,671	0	52,671
Total Fund Balance	52,934	0	52,934
TOTAL LIABILITIES AND FUND BALANCE	\$ 58,368	\$ 0	\$ 58,368

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2005

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	TOTALS
<u>REVENUES</u>			
State Grants	\$ 577	\$ 0	\$ 577
Charges for Services	1,025	0	1,025
Interest and Rents	137	301	438
Other Revenues	0	86	86
Total Revenues	1,739	387	2,126
<u>EXPENDITURES</u>			
General Government	5,434	0	5,434
Public Safety	560	0	560
Culture and Recreation	0	0	0
Debt Service	0	1,524	1,524
Total Expenditures	5,994	1,524	7,518
Excess (Deficiency) of Revenues Over Expenditures	(4,255)	(1,137)	(5,392)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	20,000	0	20,000
Transfers Out	0	(53,197)	(53,197)
Total Other Financing Sources (Uses)	20,000	(53,197)	(33,197)
Net Change in Fund Balances	15,745	(54,334)	(38,589)
<u>FUND BALANCES - Beginning of Year</u>	37,189	54,334	91,523
<u>FUND BALANCES - End of Year</u>	\$ 52,934	\$ 0	\$ 52,934

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET
JUNE 30, 2005

		CEMETERY FUND	LIQUOR LAW ENFORCEMENT FUND	IMPROVEMENT REVOLVING FUND
	<u>ASSETS</u>			
Cash				
Money Market and Savings Accounts		\$ 5,968	\$ 263	\$ 49,995
Certificates of Deposit		0	0	2,142
TOTAL ASSETS		<u>\$ 5,968</u>	<u>\$ 263</u>	<u>\$ 52,137</u>
	<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities				
Due to Other Funds		\$ 5,434	\$ 0	\$ 0
Fund Balances				
Reserved for:				
Liquor Law Enforcement		0	263	0
Unreserved:				
Designated for:				
Cemetery		534	0	0
Public Improvements		0	0	52,137
TOTAL FUND BALANCES		<u>534</u>	<u>263</u>	<u>52,137</u>
TOTAL LIABILITIES AND FUND BALANCES		<u>\$ 5,968</u>	<u>\$ 263</u>	<u>\$ 52,137</u>

TOTAL

\$ 56,226
2,142

\$ 58,368

\$ 5,434

263

534
52,137

52,934

\$ 58,368

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2005

	CEMETERY FUND	LIQUOR LAW ENFORCEMENT FUND	IMPROVEMENT REVOLVING FUND
<u>REVENUES</u>			
State Grants	\$ 0	\$ 577	\$ 0
Charges for Services	1,025	0	0
Interest and Rents	14	4	119
Total Revenues	1,039	581	119
<u>EXPENDITURES</u>			
General Government	5,434	0	0
Public Safety	0	560	0
Total Expenditures	5,434	560	0
Excess of Revenues Over (Under) Expenditures	(4,395)	21	119
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	0	0	20,000
Excess of Revenues and Other Sources (Under) Expenditures and Other Uses	(4,395)	21	20,119
<u>FUND BALANCES</u> - Beginning of Year	4,929	242	32,018
<u>FUND BALANCES</u> - End of Year	\$ 534	\$ 263	\$ 52,137

TOTAL	
\$	577
	1,025
	137
	<hr/>
	1,739
	<hr/>
	5,434
	560
	<hr/>
	5,994
	<hr/>
	(4,255)
	20,000
	<hr/>
	15,745
	37,189
	<hr/>
\$	52,934
	<hr/>
	<hr/>

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

CEMETERY FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash		
Savings Account	\$ 5,968	\$ 4,929
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to Other Funds	\$ 5,434	\$ 0
<u>FUND BALANCE</u>		
Unreserved		
Designated for Cemetery	<u>534</u>	<u>4,929</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 5,968</u>	<u>\$ 4,929</u>

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

CEMETERY FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2004

	<u>2005</u>		<u>2004</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Charges for Services			
Sales of Cemetery Lots	\$ 200	\$ 1,025	\$ 250
Interest and Rents			
Interest Earnings	10	14	13
	<u>210</u>	<u>1,039</u>	<u>263</u>
Total Revenues			
	<u>210</u>	<u>1,039</u>	<u>263</u>
<u>EXPENDITURES</u>			
General Government			
Cemetery			
Other Services and Charges			
Contracted Services	1,000	565	0
Capital Outlay	1,000	4,869	0
	<u>2,000</u>	<u>5,434</u>	<u>0</u>
Total Expenditures			
	<u>2,000</u>	<u>5,434</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	(1,790)	(4,395)	263
<u>FUND BALANCE</u> - Beginning of Year	4,923	4,929	4,666
<u>FUND BALANCE</u> - End of Year	<u>\$ 3,133</u>	<u>\$ 534</u>	<u>\$ 4,929</u>

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

LIQUOR LAW ENFORCEMENT FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash		
Money Market Account	\$ 263	\$ 242
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Reserved for Liquor Law Enforcement	263	242
TOTAL LIABILITIES AND FUND BALANCE	\$ 263	\$ 242

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

LIQUOR LAW ENFORCEMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2005
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2004

	<u>2005</u>		<u>2004</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
State Grants			
Liquor Licenses	\$ 523	\$ 577	\$ 523
Interest and Rents			
Interest Earnings	6	4	3
	<hr/>	<hr/>	<hr/>
Total Revenues	529	581	526
	<hr/>	<hr/>	<hr/>
<u>EXPENDITURES</u>			
Public Safety			
Protective Inspection			
Personal Services			
Salaries and Wages	560	560	560
Supplies			
Office Supplies	40	0	0
	<hr/>	<hr/>	<hr/>
Total Expenditures	600	560	560
	<hr/>	<hr/>	<hr/>
Excess of Revenues Over			
(Under) Expenditures	(71)	21	(34)
<u>FUND BALANCE</u> - Beginning of Year	140	242	276
	<hr/>	<hr/>	<hr/>
<u>FUND BALANCE</u> - End of Year	\$ 69	\$ 263	\$ 242
	<hr/>	<hr/>	<hr/>

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

IMPROVEMENT REVOLVING FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash		
Savings Account	\$ 49,995	\$ 29,898
Certificates of Deposit	2,142	2,120
TOTAL ASSETS	<u>\$ 52,137</u>	<u>\$ 32,018</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Unreserved		
Designated for Public Improvements	<u>52,137</u>	<u>32,018</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 52,137</u>	<u>\$ 32,018</u>

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

IMPROVEMENT REVOLVING FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2004

	<u>2005</u>		<u>2004</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Interest and Rents			
Interest Earnings	\$ 100	\$ 119	\$ 99
<u>EXPENDITURES</u>	<u>5,000</u>	<u>0</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	(4,900)	119	99
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In			
General Fund	<u>10,000</u>	<u>20,000</u>	<u>10,000</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	5,100	20,119	10,099
<u>FUND BALANCE</u> - Beginning of Year	<u>31,800</u>	<u>32,018</u>	<u>21,919</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 36,900</u>	<u>\$ 52,137</u>	<u>\$ 32,018</u>

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NONMAJOR DEBT SERVICE FUND - SEWER PROJECT

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash		
Money Market Account	\$ 0	\$ 54,334
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	0	0
<u>FUND BALANCE</u>		
Reserved for Debt Retirement	0	54,334
TOTAL LIABILITIES AND FUND BALANCE	\$ 0	\$ 54,334

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NONMAJOR DEBT SERVICE FUND - SEWER PROJECT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2005
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2004

	<u>2005</u>		<u>2004</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Interest			
Interest on Investments	\$ 50	\$ 301	\$ 359
Other Revenues			
Miscellaneous	0	86	0
	<u>50</u>	<u>387</u>	<u>359</u>
<u>EXPENDITURES</u>			
Contracted Services	2,000	1,500	0
Bank Charges and Other	48	24	28
	<u>2,048</u>	<u>1,524</u>	<u>28</u>
Excess of Revenues Over (Under) Expenditures	(1,998)	(1,137)	331
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out - General	(57,000)	(53,197)	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(58,998)	(54,334)	331
<u>FUND BALANCE</u> - Beginning of Year	<u>54,243</u>	<u>54,334</u>	<u>54,003</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ (4,755)</u>	<u>\$ 0</u>	<u>\$ 54,334</u>

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2005

	BALANCE			BALANCE
	7/1/2004	ADDITIONS	DEDUCTIONS	6/30/2005
<u>ASSETS</u>				
Cash	\$ 0	\$ 1,911,817	\$ 1,911,816	\$ 1
Due from Other Funds	4	0	4	0
Due from Other Governments	0	131	0	131
Total Assets	\$ 4	\$ 1,911,948	\$ 1,911,820	\$ 132
<u>LIABILITIES</u>				
Overdraft	\$ 4	\$ 0	\$ 4	\$ 0
Due to Other Organizations and Individuals	0	7,526	7,526	0
Due to Other Funds	0	165,613	165,481	132
Due to Other Governments	0	1,736,733	1,736,733	0
Total Liabilities	\$ 4	\$ 1,909,872	\$ 1,909,744	\$ 132

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN
STATEMENT OF 2004 TAX ROLL
JUNE 30, 2005

TAXES ASSESSED

County	\$	587,313	
County - State Education Tax		346,785	
Township			
Operating		44,051	
Roads		53,633	
Fire Protection		27,568	
Lake Improvement		26,625	
Delinquent Sewer - Service Billings		5,220	
Schools			
Cadillac Area Public Schools		546,985	
Mesick Consolidated Schools		56,080	
Intermediate School			
Wexford-Missaukee		<u>345,932</u>	\$ 2,040,192

TAXES COLLECTED

County	532,278	
County - State Education Tax	327,983	
Township		
Operating	39,929	
Roads	48,614	
Fire Protection	24,988	
Lake Improvement	24,925	
Delinquent Sewer - Service Billings	2,127	
Schools		
Cadillac Area Public Schools	507,590	
Mesick Consolidated Schools	51,328	
Intermediate School		
Wexford-Missaukee	<u>313,514</u>	<u>1,873,276</u>

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN
STATEMENT OF 2004 TAX ROLL
JUNE 30, 2005

TAXES RETURNED DELINQUENT

County	55,035	
County - State Education Tax	18,802	
Township		
Operating	4,122	
Roads	5,019	
Fire Protection	2,580	
Lake Improvement	1,700	
Delinquent Sewer - Service Billings	3,093	
Schools		
Cadillac Area Public Schools	39,395	
Mesick Consolidated Schools	4,752	
Intermediate School		
Wexford-Missaukee	32,418	\$ 166,916

SELMA TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STATEMENT OF 2004 INDUSTRIAL FACILITIES TAX ROLL
JUNE 30, 2005

TAXES ASSESSED

County		\$	754	
Township			161	
Cadillac Area Public Schools				
Local Share	290			
State Share	2,194		2,484	
Wexford-Missaukee Intermediate School				
Local Share	20			
State Share	424		444	\$ 3,843

TAXES COLLECTED

County			754	
Township			161	
Cadillac Area Public Schools				
Local Share	290			
State Share	2,194		2,484	
Wexford-Missaukee Intermediate School				
Local Share	20			
State Share	424		444	3,843

TAXES RETURNED DELINQUENT

County			0	
Township			0	
Cadillac Area Public Schools				
Local Share	0			
State Share	0		0	
Wexford-Missaukee Intermediate School				
Local Share	0			
State Share	0		0	\$ 0

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

October 7, 2005

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Selma Township
Wexford County
Cadillac, Michigan

During the course of our audit of the basic financial statements of Selma Township for the year ended June 30, 2005, we noted the following:

Budgeting

The expenditures for various activities in the General Fund exceeded appropriated amounts. The Cemetery also had expenditures that exceeded appropriations. The Township should amend its budgets to allow for these expenditures.

Due (To) From Other Funds

Currently at June 30, 2005, the records of the Township reflect amounts due from the Cemetery Fund, Road Improvement Fund, and Current Tax Collection Fund to the General Fund. The records also reflect an amount due from the General Fund to the Fire Fund. The majority of the balances are from prior years, which should be paid off. We are available to assist if needed.

Journal Entries

The prior year audit adjusting journal entries were never recorded by the Township. We recommend that after reviewing and accepting proposed audit entries, these entries actually be recorded in the Township records.

Check Dating

We recommend that checks written to vendors be dated on the day that the check is actually written. This can avoid confusion and conflicts within the computer system.

We would like to thank the board for its continued confidence in our firm and to thank the township clerk and treasurer for their cooperation.

If you have any questions relative to the above items or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

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M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

October 7, 2005

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Selma Township
Wexford County
Cadillac, Michigan

In planning and performing our audit of the basic financial statements of Selma Township, Wexford County, Cadillac, Michigan for the year ended June 30, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.